

DEBT SERVICE

This budgetary unit provides for the payment of principal and interest payments on the City's outstanding debt obligations. These obligations were incurred as a result of long or short-term borrowing or lease financing. Further information about the City's outstanding obligations is provided below.

Notes and Bonds

On July 15, 2004, the City closed on a general obligation bond issue in the amount of \$2,005,000. The proceeds from the bond issue were designated for street improvements throughout the City. The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 308,462	\$ 64,391	\$ 372,853
2007	308,462	54,089	362,551
2008	308,462	43,786	352,248
2009	308,462	33,483	341,945
2010	308,462	23,181	331,643
2011	308,462	12,878	321,340
2012	<u>154,228</u>	<u>2,576</u>	<u>156,804</u>
Total	<u>\$2,005,000</u>	<u>\$ 234,384</u>	<u>\$2,239,384</u>

On February 3, 2003, the City and State renegotiated the remaining balance of a Maryland Industrial Commercial Redevelopment Fund (MICRF) loan for 6 Grant Avenue. The loan matures on February 1, 2011. The principal is to be repaid in eight annual installments of \$5,000 and one final payment of \$2,260.

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 5,000	\$ 0	\$ 5,000
2007	5,000	0	5,000
2008	5,000	0	5,000
2009	5,000	0	5,000
2010-2011	<u>7,260</u>	<u>0</u>	<u>7,260</u>
Total	<u>\$ 27,260</u>	<u>\$ 0</u>	<u>\$ 27,260</u>

The City entered into a Memorandum of Understanding Agreement with Montgomery County, Maryland during FY00 related to certain infrastructure repair work in the Pinecrest area. Under this agreement, the County made an interest free loan to the City in the amount of \$455,000 to be used for the infrastructure repair work. As repayment to the County, the County will reduce its annual Municipal Tax Duplication payments to the City for a period of nine years beginning in FY00. The remaining reductions will be made as follows:

<u>Fiscal Years</u>	
2006	50,000
2007	50,000
2008	50,000
2009	<u>55,000</u>
Total	<u>\$ 205,000</u>

In 1995, the City borrowed \$315,000 to purchase property located in Takoma Junction. The City refinanced this loan in 1998 for a three-year term, with a balloon payment at the end of the loan. The City extended this loan in 2001 and 2004. The 2004 extension provided for an annual payment of \$20,167 with an interest rate of 5.98%. At the end of the three-year period, the City will need to determine whether to extend the loan again or to pay off the remaining principal balance. The City will no longer make debt service payments if the property is sold.

On April 16, 2002, the City participated in a bond issuance with the Maryland Department of Housing and Community Development. The issuance was limited to an aggregate principal balance of \$2,048,700 to be used for the construction of a Community Center.

The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 76,700	\$ 78,470	\$ 155,170
2007	78,400	75,976	154,376
2008	81,900	73,390	155,290
2009	85,300	70,524	155,824
2010-2014	479,900	300,620	780,520
2015-2019	598,100	188,884	786,984
2020-2022	<u>433,400</u>	<u>42,194</u>	<u>475,594</u>
Total	<u>\$1,833,700</u>	<u>\$ 830,058</u>	<u>\$2,663,758</u>

In May 2005, the City closed on a bond issuance with the Maryland Department of Housing and Community Development. The issuance was limited to an aggregate principal balance of \$2,600,000 to be used for the construction of a community center.

The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 92,000	\$ 110,914	\$ 202,914
2007	94,500	105,832	200,332
2008	97,500	102,099	199,599
2009	100,500	98,248	155,824
2010	103,500	94,278	197,778
2011	107,000	90,190	196,196
2012	110,500	85,696	196,196
2013-2025	<u>1,894,500</u>	<u>618,668</u>	<u>2,513,168</u>
Total	<u>\$2,600,000</u>	<u>\$1,305,925</u>	<u>\$3,905,925</u>

Capital Lease

The City has entered into two capital lease agreements for the purchase of equipment. The equipment underlying these agreements are police equipment with an original cost of \$380,000 and a street sweeping machine with an original cost of \$19,475. The minimum lease payments are as follows:

Fiscal Year	Police Equipment	Street Sweeper	Total
2006	\$ 62,839	\$ 6,926	\$ 69,765
2007	62,839	2,309	65,148
2008	62,839	0	62,839
2009	62,839	0	62,839
2010	<u>15,710</u>	<u>0</u>	<u>15,710</u>
Total Payments	<u>\$ 267,066</u>	<u>\$ 9,235</u>	<u>\$ 276,301</u>

Budget Comments

- The FY07 budget does not contemplate issuance of any new debt. All debt service payments are for obligations incurred in prior years.

FY 2007 BUDGET SUMMARY - DEBT SERVICE

<u>Division</u>	<u>Audited FY03</u>	<u>Audited FY04</u>	<u>Audited FY05</u>	<u>Budgeted FY06</u>	<u>Estimated FY06</u>	<u>Budgeted FY07</u>
Debt Service						
Street Improvement Loan FY05	0	0	66,967	372,853	339,527	362,551
Takoma Junction Loan	36,013	36,004	33,555	34,000	32,100	32,000
Ride-Behind Sweeper	0	4,617	6,984	6,926	6,926	2,350
Pinecrest--Montgomery County Loan	50,000	50,000	50,000	50,000	50,000	50,000
MEDCO	747,548	0	0	0	0	0
Street Sweeper	7,653	0	0	0	0	0
Computer System Lease/Purchase	29,717	0	0	0	0	0
Police Radio Equipment	47,391	68,076	57,603	62,840	62,840	62,840
Community Center Bond Issue FY02	131,610	143,391	153,821	155,865	155,865	155,072
6 Grant Avenue Project	5,000	5,000	5,000	5,000	5,000	5,000
Community Center Bond Issue FY05	0	0	0	205,000	204,027	201,500
TOTAL--DEBT SERVICE	1,054,932	307,088	373,930	892,484	856,285	871,313

FY 07 Budget

Debt Service By Project

TOTAL = \$871,313

	Street Loan FY 05 - \$362,551
	Comm Ctr Bond FY 05 - \$201,500
	Comm Ctr Bond FY 02 - \$155,072
	Police Radio Equipment - \$62,840
	Pinecrest Loan - \$50,000
	Takoma Junction Loan - \$32,000
	Ride Behind Sweeper - \$2350
	6 Grant Ave Project - \$5,000

